



BUILDING BETTER TRANSPORTATION COMMITTEE

Meeting Report April 5, 2004

PRESENT: Chair David Cortese, Vice Chair Linda LeZotte, Councilmember Forrest Williams, Councilmember Cindy Chavez

STAFF: Ed Shikada, Bill Hughes, Jim Helmer, Jim Ortbal, Hans Larsen, Kevin O'Connor

GUESTS: Dan Fenton, Bruce Schaller

ABSENT: Vice Mayor Dando

The meeting was convened at 2:42 p.m.

Chair Cortese began the meeting by stating to let the record show that there is a quorum present and all members are present except Councilmember Dando who has been excused. Chair Cortese also stated that the agenda would be heard out of order with the Taxicab Service Model Report going last and items b1 & b2 going first.

b. Traffic Relief/Safe Streets

1. Traffic Calming Program and Public Education Campaign "Street Smarts"– **continued from March 1, 2004**
2. Business District Streetscape Implementation and Maintenance Report - **deferred to May 3, 2004**

Upon motion by Vice Chair LeZotte and seconded by Councilmember Chavez, the Committee received Item b1, renamed "Traffic Calming – Private Development Monitoring Reports" that proposes quarterly reports to the Committee regarding information about efforts to integrate traffic calming measures and street design features as part of private development projects with the first report scheduled for August 2004; and to defer item b2, "Business District Streetscape Implementation and Maintenance Report to the May 3, 2004 Committee meeting.

a. Expansion and Improvement of Transit and Transportation System

2. Report on Bay Area Rapid Transit (BART) Environmental Analysis

Jim Helmer, Director, Department of Transportation stated that staff would give a brief update on the Silicon Valley Rapid Transit Corridor, BART to San José, project. Mr. Helmer introduced Hans Larsen, Deputy Director, Department of Transportation to present a status report.

Mr. Larsen stated that this status report was to make the BBT Committee aware that the environmental report was released on March 16, and that next month there will be another report to BBT Committee that will address several key issues that will require policy action. Mr. Larsen said that upon completion of the next phase of community outreach from VTA, Department of Transportation staff will make a recommendation regarding the Final alignment and Station Locations and will bring that position to the May 3, 2004 BBT Committee meeting.

The Committee unanimously accepted the report.

b. Traffic Relief/Safe Streets

3. Annual Street Maintenance Report

Jim Helmer, Director, Department of Transportation stated that staff would give a brief overview of the street network. Mr. Helmer introduced Kevin O'Connor, Deputy Director, Department of Transportation to present a powerpoint presentation.

Mr. O'Connor stated that eight years ago the City began working on a deteriorated street network through a ten-year recovery plan, with a goal of achieving 97% of streets rated in acceptable or better condition. The condition of the street network reached a high of 93% in acceptable or better condition at the end of fiscal year 2001-02. Funding constraints beginning in 2002-03 have brought a premature end to the recovery program. Based on the size of the street network, a fully-funded street maintenance program would complete 250 miles of programmed street maintenance treatments annually, at an annual cost of \$30 million. Due to funding constraints, maintenance activities are below that level. The program is now focused on preventative maintenance to avoid further deterioration and the need for costly treatments. He stated that there is a resurfacing maintenance backlog for 2004-05. At the end of 2004-05, it is estimated that 84% of the street network will be in acceptable or better condition.

Mr. O'Conner said that funding from the General Fund and the Traffic Capital Improvement Program is projected to remain at \$9 million for each of the next five years, which is less than one-third of the \$30 million amount needed annually.

Mr. O'Connor introduced Hans Larsen, Deputy Director, Department of Transportation to address grant sources. Mr. Larsen outlined three key efforts to augment pavement maintenance funding. 1) Obtain funding from the new Federal transportation bill currently being debated in Congress. The Metropolitan Transportation Commission (MTC) has begun to discuss the distribution of anticipated funding. This funding would not be available until FY 2005-06 and the estimated San José share is expected to be approximately \$2 million annually. 2) Restore Proposition 42 funding. Proposition 42 funding for local street maintenance has been cut by the State for the near-term. Beginning in FY 07-08, the expected San José share of these funds is \$8 million annually. 3) Pursue new local revenue sources. Based on countywide surveys, conducted by the Silicon Valley Manufacturing Group, pavement maintenance is the second highest ranked priority after BART. The VTA is considering a new local tax for transit operations, and local pavement maintenance funding may be included as part of the measure.

Mr. O'Connor reviewed a power point chart with the Committee that showed a sharp decline in revenue from 01-02 to 08-09, and a corresponding decline in acceptable pavement condition from 93% to 70%.

Councilmember Forrest Williams asked if funding was adequate to take care of potholes, and how does the City determine priority.

Mr. O'Connor responded that the City is focusing on corrective maintenance, potholes and safety concerns. Safety concerns get addressed first and preventative maintenance is cyclical. Resurfacing gets deferred.

Chair Cortese said that the City seems to be dealing with more infill development, and asked if we could pursue development agreements to address pavement issues in surrounding areas. He added he would like to see direct charges for street maintenance, much like we have in utility fees.

Mr. Larsen responded that the City is open to creative financing, and in the past the City has required developers to pay for pavement work along the development frontage, however, there may be legal restrictions on having developers pay for surrounding areas.

Chair Cortese asked what would be the appropriate time frame for the next Committee referral.

Mr. Shikada responded that it would be most effective to include it in the next Cycle work plan to look at all the angles.

Vice Chair LeZotte stated that she would like to see an analysis, coordinating development-related pavement projects with completion of the remaining portion of the street. Could the remainder of the street be moved up on the list with infill projects.

Upon motion by Vice Chair LeZotte and seconded by Councilmember Chavez, the Committee unanimously accepted the report.

c. Supporting Smart Growth

1. No items

d. Regional Relationships/Funding/Policy

1. Update on the Santa Clara Valley Transportation Authority (VTA), Valley Transportation Plan (VTP) 2030 – continued from March 1, 2004

Jim Helmer, Director, Department of Transportation introduced Hans Larsen, Deputy Director, Department of Transportation to present a status report.

Mr. Larsen stated that the Valley Transportation Plan 2030 was near conclusion, and the final VTA workshop is scheduled for April 23, 2004.

Mr. Larsen said there were still a few issues remaining. The first issue is countywide geographic equity. Mr. Larsen stated that most of the discussion has focused on the regional priority for BART, Downtown/East Valley (DTEV) transit, Light Rail and Caltrain. BART and DTEV continue to rate the highest for technical merit and BART continues to rate the highest in community support. This has been supported by a recent polling done by the Silicon Valley Manufacturing Group. It was noted that there has also been a substantial recent investment in Caltrain including the Baby Bullet service and the maintenance facility.

The second issue is level of funding -- the City should advocate for growing the funding pie so that we will be able to address more of the city's priorities, like local pavement maintenance, traffic operations, bicycle/pedestrian facilities and soundwalls.

The third issue is the development of a reward policy and we are working with VTA staff on language that recognizes and rewards cities that utilize creative and innovative ways of financing projects. The goal is to have draft language prior to April 23, 2004 VTA Board Workshop.

And the last issue relates to identifying bicycle/pedestrian priorities. City staff has been able to make progress in getting more of San José's bicycle/pedestrian priorities included in the program, including the Los Gatos Creek trail from Auzerais through Downtown, and new pedestrian overcrossings on Almaden Expressway, and on Branham Lane at Route 101.

Vice Chair LeZotte thanked staff for listening and for getting several of the projects she and others were interested in above the cut-off line.

Chair Cortese asked if there needed to be any discussion or direction from the Committee members on the reward policy. He stated that VTA should consider incentives for developers to fund regional improvements. If an incentive does exist we are able to leverage the opportunity.

Mr. Larsen agreed that if we are able to get private dollars for regional priorities we should be able to get a reward in the form of funding for other local priorities in the VTP 2030 plan.

Councilmember Chavez stated that San José is pushing the envelope and working to develop more creative financing measures. Not all cities are thinking about how to fund projects in a creative way. She supported the development of a reward policy to support creative financing.

Vice Chair LeZotte asked how do we get our projects to be a priority? If we had local money to build a project can we move forward with it?

Mr. Larsen replied, Yes, if we have local money we can move forward and build the project.

Mr. Larsen also explained that there are two aspects of project development - planning and programming. There will be a different set of criteria used for programming the funds. Items such as project readiness, local funding match and the ability to complete the project in a timely manner will be considered when funds are allocated to specific projects.

Councilmember Williams expressed great concern for safety improvements and asked for resources to be found for safety projects and to look for local money for these type of projects.

Mr. Larsen replied that we can still pursue local funding options for any project in the VTP 2030 plan.

Upon motion by Vice Chair LeZotte and seconded by Councilmember Chavez, the Committee unanimously accepted the report.

a. Expansion and Improvement of Transit and Transportation Systems

1. Taxicab Service Model Report – Final Recommendations

Mr. Jim Helmer, Director of Transportation, introduced the item and stated that the proposal before the Committee today reflects a tremendous amount of work, and is a compromise of all the stakeholders on the Taxicab Advisory Team (TAT). It is also a proposal that is manageable from the perspective of DOT staff, including the regulatory aspects of the Police Department, and the management control aspects of the Airport Department. Mr. Helmer introduced Jim Ortbal, Assistant Director, Department of Transportation to present the report.

Mr. Ortbal introduced the consultant, Mr. Bruce Schaller, who has 20 years of experience in the taxicab industry, including 8 years as deputy director of the New York City taxicab commission and author of numerous taxicab studies. Also presenting today is Dan Fenton of the Convention and Visitor's Bureau, a co-chair of the TAT.

Mr. Ortbal continued by explaining the scope of the project. The intent was to identify the best taxi service model for the City of San José, including customers, drivers, companies and ease of regulation. The second goal was to determine if a moratorium of any kind – on cabs, drivers or companies – made any sense considering the market conditions in San José. The third goal is to determine how to adjust the rate of fare for taxis in the future. Also, the study explored pooled auto insurance opportunities for drivers to give them more flexibility. Finally, the study considered the roles and responsibilities of various City departments.

Mr. Ortbal explained the methodology of the project, which included over 50 meetings leading up to its first draft. Subsequently, the TAT held 13 meetings over the past two months to try to achieve consensus on the recommendations. Unfortunately, even with the TAT's best efforts, they did not achieve consensus. Much progress was made. The project included an extensive data collection effort. Two customer service surveys were performed to understand the attitudes of passengers and business persons. Overall, taxicab service was rated well, but there were two particular concerns, including: how long it takes to get a cab at times, and the high rate of fare (cost) of taking a cab. A thorough market analysis of the taxicab industry and its competition also revealed the various markets of the industry. An extensive review of taxi's in several cities, five in particular - San Diego, Las Angeles, Orange County, Las Vegas and San Francisco - was undertaken as to utilize certain elements of their service model here in San José in a customized system that is appropriate to San José's market. This led to the development of 5 alternative service models that were evaluated by the consultant. Mr. Ortbal introduced Mr. Schaller, who gave an outline of the alternatives and selected service model.

Mr. Schaller explained that the alternatives analyzed span a range from those that provide cab company control to alternatives that provide more driver independence. In the evaluation, the current two-company Airport concession system is oriented too much toward providing the benefit of Airport access to the current two company concessionaires – the need is to give drivers more choice of which company to work with, and thus more independence. Additionally, a second impact is to provide smaller companies with access to the Airport. This effort has resulted in a recommendation that strikes more of a balance between drivers and companies. Each of the alternatives were

evaluated against a set of three criteria: customer service, financial viability and equity, and regulation and oversight. Due to the budget situation, the consultant was charged with creating a system without increasing costs to the City.

Mr. Schaller explained that the analysis resulted in recommendations in four main areas. The first is to address the two dominate markets for taxicab services in the City – the pre-arranged non-airport market, and the Airport market. Therefore, it is recommended that the City provide incentives to serve downtown and the neighborhoods by allocating access to the Airport according to service of the City market. The second is to change the current uniform fare to a maximum fare. This will allow all the companies to charge a rate that is 80-100% of the maximum fare, creating a competitive dynamic in the industry. Third is to offer 300 alternate-day access airport permits, with 167 allocated to drivers working at the airport, and 133 being split among companies according to their trip service levels in the remainder of the City. Agreements with the Airport will be required of drivers and companies in order to obtain these Airport permits, to guarantee both the level of service and quality of service at the Airport.

Mr. Schaller explained after an initial 2-year transition period, the company permits would be reallocated on an annual basis based on non-airport trips. During the transition, a minimum of 7 Airport permits per company will provide a base of Airport access to each company. The intent of the system was to provide a strong incentive for the companies and drivers to serve the non-airport market – which is the more difficult market to serve.

Councilmember Cindy Chavez asked for a clarification on the annual allocation. If the company demonstrates the need for more Airport permits, would they be able to receive more permits in the next year? How does it work?

Mr. Ortbal explained that 133 permits that are proposed for allocation to companies would be reallocated every year based on non-airport trip activity. The incentive is to try to get companies to serve all of San José and not focus exclusively on the Airport.

Councilmember Chavez asked for a clarification on the company limits on Airport permits - could the amount of permits allocated to a company go up from 133 to 192?

Mr. Ortbal explained that it could not. A company could attract any number of the 167 drivers with their own airport access permits. However, the drivers would choose a particular company based upon business plan to provide for service on their non-airport days. A cap is not recommended for the number of drivers/cabs citywide.

Councilmember Chavez asked staff that they re-distribute a previous transmittal on various city's citywide concession systems, and how that relates to the total amount of permits.

Chair Cortese asked how the current airport concession agreements fit in under the proposed system.

Mr. Ortbal explained that the concessions will expire on September 27, 2004. An independent airport management contractor will run the starter system at the Airport, paid for by trip fees. New service agreements will be required of each Airport permit – including drivers and companies.

Chair Cortese asked that these permits remain the property of the Airport. That way, when a contract expires, we won't have companies that argue that they have a property right in that permit.

Mr. Ortbal agreed, and mentioned that the current concession contracts were set up in a similar fashion, where those concessions are not property interest rights.

Bill Hughes, City Attorney, clarified that each Airport permit could be constructed as an individual concession. Each of would expire on an annual basis and be re-issued based upon a set of rules, such as according to trip levels at a company.

Mr. Schaller continued to explain the recommendation on Auto insurance and vehicle registration. The current ordinance requires that the cab company own each vehicle. Under the recommendations, drivers that own their own cab could register their own cab in their own name and obtain insurance through an independent entity (such as a risk purchasing group) handled by an insurance broker, who would handle the administrative duties of tracking insurance and reporting to the City the insurance status as they change. This is another way to create independence for the drivers; drivers may pay that cost themselves rather than paying the insurance costs as part of the gate fee, and whatever markup there might be by the cab company.

Mr. Schaller continued on the city roles, cost and fees. Current responsibilities are being managed by the correct department most capable of performing each task. Certain efficiencies may be realized between departments, particularly the Airport and Police permitting process, by consolidated them. Electronic web databases could seamlessly integrate each function among the different departments.

Councilmember Linda LeZotte asked for clarification on the current program cost.

Mr. Ortbal explained that the recommendation does not include new staff, and is not proposing any fee increases. From our research, the current program costs approximately \$1.5M with a \$750,000 shortfall.

Councilmember LeZotte questioned who is paying for the management of the new taxicab system at the Airport.

Mr. Ortbal explained that the program would be paid for by driver trip fees. A management company RFP would be put out to bid, and the companies bidding on the RFP would also bid on a price for the trip fee as well. The City's goal would be to encourage the lowest possible trip fee through the competitive process. No additional direct cost would result to the City.

Mr. Schaller continued by explaining why a medallion system was not recommended. Medallions do not match the regulatory and industry structure to the market conditions and the needs for taxi service in San José. The service model recommended creates an incentive for non-airport trips – which is currently the underserved market – and rebalances the benefits toward drivers and small companies. Due to San José's low volume of walk-up street business, medallion systems do not address the main market of San José, the pre-arranged dispatch market. There is a need for strong company operations for service – where you call from home, grocery store or doctor's office to a company and request that a cab pick you up. Medallion systems tends to freeze the industry in a status quo, which drains the system of the competitive dynamic that we are looking to create. Medallion systems create barriers to new companies coming in, and create an incentive for the industry to resist increasing the number of cabs and expanding the market. Medallion systems lack the incentives for drivers and companies to market their service, increase the business and improve the quality of their service. Finally, medallions create greater regulatory costs because of the need to closely monitor the service quality, analyze the size of the industry and set fares and gate fees.

Dan Fenton reviewed the benefits to the stakeholders of the proposed recommendation. They include benefits to customers and neighborhoods by giving companies and drivers an incentive to serve them, as well as potential for decreased fare rates. Leveraged customer service standards, driver training and a customer bill of rights will set universal standards. Maintained competition will deliver better and more stable customer service.

Dan Fenton continued to explain the benefits to drivers. Under the recommendation, drivers may make a choice as to which company to go to. This choice will drive competition in the industry, and create new opportunities for owners, drivers and ultimately customers. Drivers and owners will have a better relationship as a result. Owners will have to offer drivers a business plan in return for their gate fees. Improved dispute resolution and labor peace provisions are included in the airport agreements.

Dan Fenton continued to describe the benefit to companies. Shared accountability will result from the new system between drivers and companies. Large companies will give up their concessions, but will be able to make their case to attract drivers. Small companies will gain access to the Airport market, and have the opportunity to attract drivers with their own independent permits. Continued monitoring of the general health and reaction of the industry to the new service model is also included.

Mr. Fenton then explained the concerns of various stakeholders, as consensus was not reached by the TAT. Drivers would prefer less than 300 Airport permits and transferability of Airport permits. The Airport staff performed an analysis of the 300 permits, and determined that this was the least amount of permits needed to accommodate the various peaks of passenger trip volumes out of the airport.

Mr. Ortbal added that 60 Airport permits would be provisional, and could be taken away if the Airport was oversupplied.

Councilmember Chavez asked for a comparison between the recommendation and the amount of airport permits found in other cities.

Mr. Schaller responded that the closest airport that matches San José is Orange County's John Wayne Airport. The ratio of Airport permits would be equivalent. The number of trips, passenger volumes and the amount of permits is basically identical.

Councilmember Chavez asked for a clarification as to whether it related to the wages for drivers as well.

Mr. Schaller responded that it did relate both in terms of service and driver income.

Mr. Fenton speculated that the system provides new opportunity for competition among companies, which will have a positive effect on gate fees. While it is critical that the number of trips per driver be improved, the City would have difficulty in deciding an unequivocal number of permits citywide.

Mr. Ortbal added that it is controversial for staff to determine the amount of cabs according to trips at a predictable location such as the Airport, let alone a Citywide system that has several uncontrollable factors for demand for service.

Chair Cortese suggested that if staff will revisit the number of Airport Permits annually - and adjust that number annually - that a similar system for reviewing the need for a cap on Citywide permits could be considered by the Director of Transportation on a 6-month interval basis. The basis for making such a decision would be based on deteriorating economic conditions. The idea is not to take the cap permanently out of consideration.

Mr. Ortbal suggested that it could be the prerogative of the Council to make those philosophical decisions. The recommendations presented today are based on staff's review of the critical issues. A future evaluation of the effectiveness of the system would determine whether additional items need to be added to the system.

Dan Fenton continued to describe the concern of small companies, which have raised the issue of equal distribution of Airport permits. The new system incentivizes companies to build their non-airport business to residents of San José. The underlying concept of rewarding companies for going out and serving that market, which is more difficult to serve in the neighborhoods, will make the taxi industry stronger overall. That's why the distribution system proposed is equitable. The recommendation provides a base of airport access to small companies. Large companies concerns include the loss of a concession system that largely works in its current form, while these large companies are prepared to compromise with the new system.

Mr. Ortbal explained the implementation and evaluation phases of the recommended system. It includes a phase prior to the expiration of the current concessionaires, which staff will publicize the RFP for a management company, create the agreements with drivers and companies, and make ordinance and policy changes. The earliest Council would review the above is late August, with the new system in place in October 2004.

Prior to a permanent system, a 2-year transition will take place, where staff will monitor the industry on a 6-month interval and report back to the Council on the effectiveness of the new service model. Mr. Ortbal recognized the various stakeholders for their time and effort and contributions to the study, and asked the Committee if they had questions.

Chair Cortese thanked staff for bringing the Study and recommendations forward, and commented that the quality of work was excellent, despite the philosophical differences of stakeholders.

Councilmember LeZotte asked whether program cost and comparison of program cost to other cities was considered in the study.

Mr. Schaller responded that cost recovery varies by city, with some cities having full cost recovery and significantly higher fees, and others having very low cost recovery.

Mr. Ortbal added that cost was a consideration of the study, in that no additional regulatory burden or cost should be brought upon the City. The creative solutions presented is the most innovative approach to bring a competitive dynamic to the industry while focusing on what is the best service model for all stakeholders – customers, drivers, companies and city regulators.

Councilmember Forrest Williams wished that all of the stakeholders could be in consensus. While there are differences, his meetings with stakeholders indicate that the parties are very close. Equity is his main concern, and drivers deserve a living wage to support their families. However, the framework is moving in the right direction. Further, he asked that staff explain how the industry would address the majority of the downtown business community that felt that the cab industry was not a good value for the money.

Mr. Ortbal explained that the proposed rate structure allows companies to charge a reduced rate in the Downtown and in the neighborhoods – down to 80% of the normal rate. This could potentially attract back customers that have left the industry due to the rising cost of cab fares and other concerns. Mr. Fenton also reiterated the importance of marketing and driver training to the industry's growth.

Councilmember Williams further explained that marketing is critical. From a competitive position, the flexibility proposed will create opportunity for drivers. We will have to deal with equity issues ongoing, considering the review of the system and the re-issuing of company permits annually. However, this service model is a significant step forward and will give the industry a chance to improve, including pressure on the reduction of gate fees for drivers.

Chair Cortese called for public testimony on the item.

Tony Alexander of the UFCW pointed out that a greater proportion of permits should go to drivers, since there are greater percentage of owner-operator cabs in the city than the split recommended. While drivers are not opposed to more companies, they are opposed

to more drivers flooding the City market – it is difficult to increase driver income with so many drivers.

Phillip Bump of the South Bay Labor Council explained that cab drivers are independent business owners, and that they deserve the flexibility and security of larger companies with a greater amount of Airport permits – at least 75% - going to the drivers. Drivers should be allowed to lease their airport permits and transfer them. The City should place a cap on the amount of drivers, yet reduce their amount through attrition.

Harry Burt, a driver, explained that the model has to consider both the customer needs and the driver income needs. An important question to consider is that drivers are not functioning like their own independent business, but rather as employees of the companies. The City is offering fraudulent business licenses due to the control the companies may exert over the drivers.

Ammauel Mebrahto, a driver, explained the need for greater driver independence, and agreed that the City is not a street “hail” city, such as medallion systems in NY and SF. If drivers are required to affiliate with a company, then there should be fair dispatch systems. As far as Airport permits are concerned, there will be drivers in the City who will not qualify for them, and that’s unfair.

Robert Stair, a driver, explained that when the Airport was previously open to all cab companies, the airport was a mess. The current concessions have fixed these problems. The proposed system does not impact the City, Airport or companies, but will have an impact to drivers. Therefore, the new system should be ratified by drivers.

Omar Tawakuli, a driver, explained that it costs driver’s \$100 in expenses every day. The annual salary of a driver is \$17-19,000 a year, considering the expenses that they pay, and any new system will impact driver income.

Charles Hope, a driver, explained that only drivers that exclusively work the Airport will gain Airport permits, as well as companies. If some drivers are denied access to the Airport, and drivers from the Airport are forced out to the City every other day, there will be a further dilution of business for the drivers that concentrate on the City business.

Ali Ali, a driver, explained that driver’s income could be negatively impacted by the system proposed. More independence should be given to drivers. The insurance provisions don’t force the lowering of gate fees. The recommendation does not guarantee an increase in driver income.

Abayneh Shumie, a driver, asked that a drivers association have a concession at the Airport, that way drivers could have independence from the taxi companies and not have to serve the City. If we are forced to affiliate with a taxi company, there is no way that our income can improve.

Durani Iqbal, a driver, prefers an Association of drivers to have access to the Airport, free of the companies. That way, drivers could build our own company and not have to pay

the gate fees to the company, and increase their income. The consultant's report is biased, and the drivers have signed a petition to that effect.

Seyoum Asrat, a driver, explained that drivers would like a medallion system. However, drivers have compromised, and have further concerns that need to be addressed. Drivers don't want the companies to have access to any of the Airport permits, and the subsequent reallocation each year. Driver independence has been melted down in the middle range. To solve this problem, all of the permits should go to the drivers.

Guriqbal Singh, a driver, commented that the consultant ignored driver income and way of life. Drivers want to stay at home during the nighttime, and the consultant is making drivers slaves. We'd have to sleep in the cab in order to survive. Only the City is responsible for this situation.

Aaron Marrow, a member of the Disability Advisory Commission, addressed customer service. The proposal is a win-win for the people of San José and the City. The system brings back the integrity to the taxi industry and takes a lock off the airport that the City had on it for years, and brings back taxicabs to the neighborhoods that so desperately need attention for the taxicab industry. The only way for an industry to increase its business is by marketing and word of mouth – it's going to take a substantial marketing efforts by the companies in both tools and techniques in order to be successful – the proposal provides the incentives to make it happen.

Mola Gebeye, the owner of Golder Star Cab, agreed with the overall structure of the report. However, there should be a minimum of 3 permits given to each company after the transition period once the permanent system is adopted, so small companies can maintain access to the Airport, and also no company should control greater than 50% of the permits so that no one companies is dominant at the Airport.

Scott Strickland, representing 5 small cab companies, expressed a desire for equal distribution of airport permits among companies of the 133 company permits. Allow an equal beginning to the system at the starting line, and they won't ask for preferential treatment at the finish line.

Bekele Kidanie, a driver, presented information in a PowerPoint presentation that the number of permits proposed under the system would result in decreased driver incomes, increased wait times at the Airport, and decreased guaranteed pick-ups per driver at the Airport. The only reason to have more permits is not to satisfy market demand, but to satisfy the cab companies.

Dave Logan, representing Yellow Cab, stated that they are sacrificing their concession at the Airport, in the cause of improving the taxi industry in San José. Overall, they'll be supportive of the recommendation.

Margee Jansen, representing United Cab, lamented that United and its drivers are sacrificing their concession, which has worked well for the City and its customers. If this

is the model that we are to move forward with, then we would support the staff's recommendation. The framework can be added to with details to work out in the future.

Chair Cortese asked for comments from the Committee.

Councilmember Williams reiterated his concerns regarding equity, and wanted to know the impact to drivers that currently drive in the City as a result of the proposed system.

Councilmember Cortese suggested that the Committee move the item forward to Council, and let the Council deliberate the remaining issues. He then wished to direct staff to do the following 3 items as the Committee entertains a motion:

- Work with the City Attorney's office to reserve the right to declare a cap on the amount of cabs at any time. There should be benchmark dates to review the need for a citywide cap along with any other reviews of the program. The ability to declare a cap should be entrusted to the Director of Transportation through an administrative action. If market conditions change for the worse, and we are concerned about the impact to drivers, we should be able to declare a cap administratively without having to come through the Committee or Council process.
- The second is to address the transferability issue. For me, it is a compelling issue. If we institute a system that does have transferability, and we don't know whether the system is going to work, we'll have a problem. We still have people arguing that the old concession system is better and that a medallion system is better. So I'm afraid to start entitling drivers right from the beginning with transferability rights. We may find that we want to change the system to something different in the future. It becomes very difficult to deal with transferable licenses and permits that are out there if we decide to modify or change the system. We need to resolve this issue as soon as the system is up and running. I think that the time-frame for reviewing the transferability issue should come back to this committee as an agenda item for the review of the new system, including a discussion on this particular topic at a 6-month interval. I'm not suggesting that we institute transferability at that point, but I'd like staff to come back and let us know how well the system is running, whether to continue the new system, whether it is the recommendation of the TAT that the new system stay in place - assuming that the TAT will remain in place as an oversight body in lieu of a commission. We need to know if the new system is operating as conceived originally. If it is, I see no excuse in not taking the next step to entitle the drivers to transfer their permits under a permit system that would give them the ability to transfer their "business".
- Lastly, in the next 3-4 weeks, I want staff to be prepared to answer the question of why they are recommending 300 permits at the Airport, rather than a lower number. Provide us with as much detail as possible. I understand from the testimony today that the 300 suggested permits is not an arbitrary number, but it is tied into the demand for taxicabs at the Airport and compensation to drivers

analysis, and that what has been suggested is related to the experience found in Orange County (John Wayne Airport). We know that that number is severely in debate. I think that this might be the most single crucial issue on the table – numbers usually are the most contested, despite whatever philosophies of various parties are expressed in the process. I believe that this is an area where the Council could make a wholesale decision, and we need more information from staff to support their conclusion. Everyone should be prepared with information on this issue – all stakeholders that have been involved in the process.

Chair Cortese stated that he trusted that the Council will make a decision on this entire matter, including these 3-4 issues that he previously mentioned. There are more issues, however, from the testimony these 3-4 issues seem to be the most important and of concern to the Council.

Councilmember LeZotte clarified the last point, that the rationale be brought back for consideration for the allocation and distribution of permits among the drivers and companies. Either staff will include the above items in the recommendation, or they bring back additional information justifying their positions on each of the above issues.

Bill Hughes, City Attorney, asked that the Committee clarify the motion, specifically how a cap would be brought upon the industry by the Director of DOT on an expedited basis, and how he would justify that decision.

Chair Cortese stated that this could be based on economic conditions, yet the full Council could deliberate on the matter. However, the Director should create a system allowing him to declare a cap, based on economic conditions, and bring that back for consideration for the full Council.

Councilmember LeZotte clarified that the Council could reserve the right to declare a cap at the Director level and provide guidance to the Director when it is appropriate.

Ed Shikada of the City Manager's office, asked to clarify whether the administrative review at the 6-month milestone should be with the Committee or full Council.

Chair Cortese stated that the Committee should review the milestones.

Councilperson LeZotte stated that the Director should be empowered to declare a cap on citywide permits at anytime.

Upon motion by Vice Chair LeZotte and seconded by Councilmember Williams the Committee approved staff's recommendation, and directed staff to bring the following information to the full City Council on April 27, 2004:

- 1. City reserves the right to declare a cap on the number of Citywide taxicab permits. A specific future date should be set to review the need for a Citywide cap. Declaration of a cap would be based upon an analysis of**

relevant factors, worsening market conditions, and industry data; and would be set administratively by the Director of Transportation.

- 2. Direct staff to report back to the Building Better Transportation Committee after the proposed system has been in effect for six months to determine how effectively it is working; and if the system is functioning as expected to consider making the proposed Airport driver permits transferable.**
- 3. Direct staff to provide additional justification and detail on why 300 alternate day Airport permits have been recommended rather than a larger or smaller number. Staff was further directed to justify the ratio of allocation of permits between drivers and companies.**

e. Oral Petitions

Tahry Ros from Door to Door Shuttle asked that the independent taxi management company set up at the Airport consider other forms of transportation, including Shuttles.

f. Adjournment

The Committee was adjourned at 5:25 p.m.

Councilmember Dave Cortese, Chair,
Building Better Transportation Committee

Attachments:

1. Taxicab Service Model UFCW Proposed Changes
2. Letter of Ratification from City of San José Taxicab Drivers